

C O U N T Y A D M I N I S T R A T O R



SUSAN S. MURANISHI
COUNTY ADMINISTRATOR

December 10, 2025

Honorable Board of Supervisors
County of Alameda
1221 Oak Street, Suite 536
Oakland, California 94612

Dear Board Members:

**SUBJECT: PROPOSED FISCAL YEAR 2026-27 BUDGET DEVELOPMENT
STRATEGY AND POLICIES**

RECOMMENDATION

Approve the Fiscal Year 2026-27 Budget Strategy, policies, and preliminary schedule.

Economic Outlook

The County's budget is highly dependent on State and federal revenue – with nearly two-thirds of the General Fund budget funded by State aid, federal aid, and Medicaid and Medicare charges for services. Consequently, it is critical that the County monitors the potential impacts of State and federal funding policies on our programmatic mandates as we develop our budget.

H.R. 1 significantly changes federal Medicaid eligibility and financing policies, which is anticipated to result in an increase in State spending across Medi-Cal and CalFresh. The LAO has noted that the State's budget position is weak and has advised the Legislature to address its growing budget problem through a combination of ongoing solutions including spending reductions and revenue increases.

In its Fiscal Outlook for Fiscal Year 2026-27, the Legislative Analyst's Office cautioned that the State and U.S. economies face significant headwinds. Income tax collections have remained strong, driven by record investments in Artificial Intelligence, but fears of an AI bubble and comparisons to the dot-com boom and bust signal the possibility of a market crash if future revenue projections fail to justify the current investment levels.

As expected, the federal reserve cut interest rates to a three-year low at its December meeting. Though inflation remains elevated, the central bank's decision to cut interest rates for the third

time this year reflects continued concerns over a cooling labor market with unemployment rates increasing and job creation and hiring slowing.

U.S. employers have cut more than 1.1 million jobs through November this year – the highest level since the pandemic, representing a 54 percent increase from the same period a year ago. The technology sector continues to drive the surge in job cuts, as Artificial Intelligence reshapes the workforce with new technological capabilities.

The AI boom and a push from many companies requiring workers to return to the office may have driven the rate of Bay Area home sales in the fall, but the Bay Area remains the most expensive place to buy a home in the nation. The affordability crisis persists for middle- and lower-income families spending more than 30 percent of their income on housing. Concerns over a “K-shaped economy” have resurfaced with higher-income households driving spending while lower-income consumers struggle with weak wage growth and inflated prices.

Economic uncertainty has been magnified by the impact of unpredictable policymaking at the federal level. New tariffs are driving up costs for both businesses and consumers and disrupting global trade dynamics. As businesses and consumers adapt to the changes we may see lasting impacts on economic growth and trade patterns. In addition, the recent government shutdown will likely have some negative impact on growth.

Budget Document Enhancements

Aligned with your Board’s commitment to Virtual First, we introduced a new web-based digital format for the FY 2025-26 budget, providing a more dynamic interactive interface and increasing accessibility through ADA-optimization.. In recognition of our efforts, the County has received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). This GFOA Award reflects the commitment of your Board and County staff to meeting the highest principles of government budgeting, following nationally recognized guidelines for effective budget presentation and incorporating best practices that allow us to remain transparent, engage meaningfully with stakeholders and provide an effective policy document.

New features in the FY 2025-26 budget document include a new visual representation of the budget process and detailed calendar by month, a debt overview chapter including credit rating detail, a fund summary overview including information on fund balance and general reserves, and a financial policies and procedures chapter. In addition, we prioritized enhancements to the Unincorporated Area Special Budget. We plan to build upon those enhancements by asking all Agencies and Departments to highlight investments benefiting the unincorporated areas in addition to further enhancing the data from Agencies and Departments providing municipal services to the unincorporated areas.

We will partner closely with Agencies and Department on refreshing and redesigning the Children’s Budget and Human Impacts Budget for future years and will ensure staff are well-positioned to deliver on an accelerated budget development timeline while balancing the challenge of implementing a budget system replacement.

Proposed Budget Strategy and Policies

I am recommending that your Board approve the Proposed Budget development strategy and Maintenance of Effort (MOE) framework that you have successfully used in past years to achieve a balanced budget, while incorporating your Board's Vision 2036. The Proposed Budget strategy is also in alignment with your Board's approved financial management policies and Long-Range Capital Financing Plan. Given significant uncertainty at the State and federal levels, it is prudent that we conserve our limited resources while maintaining mandatory & essential services.

Budget Development Policies and Maintenance of Effort (MOE) Framework

- Proceed with the Proposed 2026-27 Budget Calendar (Attachment A) and adopt the Final Budget no later than June 30, 2026.
- Identify known and projected revenues from all sources as early in the budget development process as possible. Revenue estimates must be justified based on an analysis of historical trends and other current data and should be first applied to existing services where appropriate. The most restrictive revenue source should be used before using general purpose revenues.
- Maximize and prioritize State, federal, fees and other revenues based on realistic, updated annual projections. Include any anticipated new financing sources or additional revenue resulting from increased reimbursable costs such as salary and benefit adjustments, Internal Service Fund charges, and other operational costs.
- Include a 4.0% cost-of-living adjustment (COLA) for community-based organization (CBO) contracts funded with County General Funds and/or matching funds.
- Continue to designate up to 7% of the County's General Fund budget to partially offset the cost of the County's capital projects and major facility maintenance requirements to help address the unfunded capital costs identified in your Board's latest 5-year Capital Improvement Plan.
- Continue to designate 1.5% of the County's discretionary revenue for the general reserve.

The Proposed Budget Development Strategy for FY 2026-27 includes Board-approved budget policies and practices that have been used effectively in past years to achieve a balanced budget. The strategy calls for enhanced efforts to increase and maximize revenues to ensure the FY 2026-27 budget is supported by a sustainable financing plan for the budget year and beyond. Since revenue is the key driver and primary focus of budget development, Agencies and Departments should submit detail on the methodologies used to estimate revenues for further independent analysis by my office. We will also continue to review and analyze the use of trust funds, designations and encumbrances. As part of the effort to maximize revenue, all departments should continuously re-evaluate and adjust existing fees annually to ensure full cost recovery and identify new permanent revenue opportunities.

In partnership with Human Resource Services, we will continue to review vacancies and salary savings including evaluation of positions that have been vacant for extended periods. Multi-year

forecasting will continue to enhance our longer-term financial planning efforts, and we will work closely with federal and State legislative advocates to preserve local revenues and safety net programs.

Finally, we plan to enhance the budget narrative to improve clarity on how your Board's Vision 2036 strategic framework guides the County's investments, and how performance metrics align with the strategic plan and reflect meaningful progress.

Budget Workgroup

The Budget Workgroup will continue to provide input and advice on budget balancing strategies as we develop the proposed budget. The proposed membership list for the Budget Workgroup appears as Attachment B and is consistent with prior years. The Budget Workgroup meeting schedule will be developed in consultation with the Chair.

SUMMARY

In addition to these recommended policies, we will continue to explore alternative budget balancing strategies. Although Agency and Department Heads continue to be vigilant in their current year cost control and revenue enhancement efforts, the County continues to face significant long-term challenges that will impact the budget and our ability to deliver services, including unfunded capital needs, reimagining criminal justice, the ongoing homelessness crisis, and the future of employment and safety net programs. With your Board's leadership and the efforts of Agency and Department Heads, the Budget Workgroup, legislative advocates, and other stakeholders we must continue to exercise fiscal prudence and careful stewardship of our County's limited resources to ensure a balanced budget for FY 2026-27 that continues to serve the diverse needs of our communities.

Very truly yours,



Susan S. Muranishi
County Administrator

Attachments

c: Agency and Department Heads
Budget Workgroup Members
Legislative Advocates

**ATTACHMENT A
PROPOSED 2026-27 BUDGET CALENDAR***

Action	Due Date
Budget Strategy Adopted by the Board	December 16, 2025
Board of Supervisors' Early Budget Work Sessions	April 14, 2026
Budget Workgroup Meetings	Ongoing
CAO Identifies Funding Gap	April 2026
Reduction Strategies Developed with Departments	April/May 2026
Budgeting Balancing Adjustments Submitted by Departments	May 2026
Proposed Budget Submitted to the Board	By May 30, 2026
Budget Hearings	By June 20, 2026
Final Budget Adoption	By June 30, 2026

* Dates subject to change

**ATTACHMENT B
PROPOSED 2026-27 BUDGET WORKGROUP MEMBERSHIP**

Number	Organization
2	Board Members
1	County Administrator
1	Sheriff
1	District Attorney
1	Auditor-Controller
1	Director, Alameda County Health
1	Director, Social Services Agency
1	Director, Public Works Agency
1	Director, General Services Agency
1	Chief Probation Officer
2	Labor Representatives (one selected by the Labor Coalition and one by the management unions)
2	Community-Based Organizations (one North County and one South County representative selected by the Emergency Services Network and the Alameda Health Consortium)
1	Unincorporated Area Representative (designated by Board of Supervisors)
1	Tri-Valley Area Representative (designated by Board of Supervisors)
1	Tri-City Area Representative (designated by Board of Supervisors)
2	Community Members (one each League of Women Voters and Taxpayers Association)
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